

**CITY OF TORRANCE**  
**DEFERRED COMPENSATION PLAN COMMITTEE**  
AUGUST 3, 2012 MEETING MINUTES

**Members Present:** Ms. Dana Cortez – City Treasurer  
Mr. Eric Tsao – Finance Director  
Mr. John Fellows – City Attorney  
Ms. Mary Giordano – Assist. City Manager

**Guests:** Mr. Kent Morris – Great-West Retirement Services

**Committee Consultants:** Mr. John Campbell and Ms. Rachel Fequiere - Benefit Funding Services Group  
("BFSG")

**CALL TO ORDER**

A special meeting of the Deferred Compensation Committee (the "Committee") was called to order by Dana Cortez on August 3, 2012 at 2:30 pm. The meeting was intended to review the Great West Service Contract Renewal / Costs proposal with respect to the Part Time Plan.

**ADMINISTRATIVE MEETING**

**I. ACCEPTANCE AND FILING OF APRIL 30, 2012 MEETING MINUTES**

Ms. Cortez made a motion to accept and file the April 30, 2012 meeting minutes. The motion was seconded and unanimously accepted.

**II. GREAT-WEST SERVICE CONTRACT / COSTS REVIEW – PART TIME PLAN CONSIDERATIONS**

As discussed at the prior Committee meeting, the Part-Time (3121) Plan revenue to Great-West will be increasing as a result of the Plan currently being priced well below market. The initial proposal provided that participant accounts would be charged \$15 each, on an annual basis, in order to accommodate the required increase in revenue to Great-West. In lieu of that, the Committee had asked that, if possible, Great-West incorporate an asset charge on the Stable Value fund such that all participants will share in the revenue increase equitably, as opposed to charging a flat hard dollar fee to each participant's account, which could unfairly burden the smaller account balances in the Plan. After review, Mr. Morris advised that Great-West's legal team could not accommodate the request as all the City Plans must be charged the same rate on the Stable Value product. He subsequently offered the following options for the Committee's consideration:

Option 1: Keep the Stable Value fund and charge the explicit asset based fee. The Stable Value fund would retain the 8.5 basis points of revenue layered into it. To accommodate for the shortfall in revenue (which is approximately 57 basis points) a fee of \$11.45 would be charged annually based on the current average participant balance of \$2,009. Participants would see a line-item fee charged from their accounts on their statements. If the City were to terminate the Contract in the future, it would be able to either 1) take the securities in kind; or 2) cash out the portfolio and transfer the assets to a new provider. The fund Investment Policy would continue to be determined by the Committee. It was noted that the current Stable Value fund annualized yield is approximately 3.05%.

Option 2: Use a Great-West general account fixed product, specifically, their Guaranteed Portfolio Fund. As the Guaranteed Portfolio Fund provides for a higher revenue credit than the Stable Value fund, the shortfall in revenues to Great-West would only equal \$1 per participant. Great-West advised that they would be willing to forgo the \$1 per participant amount. If the City were to terminate the Contract in the future, it would either 1) be paid at book value after a 12-month put expires; or 2) be paid out over a period of five years (20 equal quarterly installments) The fund Investment Policy would be determined by Great-West. It was noted that the current Guaranteed Portfolio Fund crediting rate is approximately 1.70%.

The Committee discussed both options in terms of their complexity and ability for participants to understand the fees through disclosure. The differences in the two products, Stable Value as compared to the Guaranteed Portfolio, was also discussed, with BFSG noting that the Stable Value fund has better disclosure and is more liquid than the Guaranteed Portfolio. All agreed that in either case the communication to the participants would have to be very clear.

After discussion, the Committee agreed to stay with the Stable Value fund option; however, Great-West was asked to add language to the agreement committing to a reevaluation of the Part Time Plan assets each year to determine if pricing remains reasonable. Adjustments would then be made as warranted.

Further, the Committee discussed and considered forcing out small account balances (less than \$1,000) for dormant participant accounts and/or terminated participant accounts, if permitted by the Plan document. Members of the Committee asked to review account balances as well as the Great-West language to be added to the agreement. Upon their review, the decision will be finalized and it is anticipated that the Great-West contract will be approved at the September 13, 2012 Committee meeting.

### **III. Closing**

The Deferred Compensation Committee meeting adjourned at 3:10 pm.